

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0340-02  
Bill No.: HCS for HB 100  
Subject: Fire Protection; Revenue Department; Taxation and Revenue  
Type: Original  
Date: March 6, 2007

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Bill Summary: This proposal creates an income tax credit for volunteer firefighters.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
General Revenue	(\$93,857 to \$4,773,857)	(\$98,706 to \$4,778,706)	(\$101,667 to \$4,781,667)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$93,857 to \$4,773,857)</b>	<b>(\$98,706 to \$4,778,706)</b>	<b>(\$101,667 to \$4,781,667)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	3 FTE	3 FTE	3 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>3 FTE</b>	<b>3 FTE</b>	<b>3 FTE</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Public Safety - Office of the Director** assume the proposal would not fiscally impact their agency.

Officials from the **Department of Public Safety - Fire Safety (DFS)** state this legislation will provide for a tax credit for volunteer fire fighters who meet specific training requirements. This legislation provides for a tax credit of \$180 annually for volunteers who complete 12 hours of training approved by DFS. Additionally, the legislation provides a \$360 tax credit for volunteer fire fighters who complete 36 hours of basic fire fighting annually. According to the legislation, DFS would be responsible for developing procedures for this process, administering the training programs and verifying the fire fighter is in good standing with a registered fire department, and verifying the training hours for individuals applying for the credit.

The Division of Fire Safety has administered and maintained a training and certification program for fire fighters for nearly 20 years. Due to the number of fire fighters and emergency responders who have been previously trained and certified, adding this requirement would increase the workload of the program. Therefore, the Division would request an Office Support Assistant (at \$20,480 annually) to process and evaluate the applications for tax credit eligibility, along with supporting expense funding to administer these additional duties.

DFS estimates there are 625 volunteer fire departments with 12,652 fire fighters. Additionally, there are 80 part volunteer/part paid departments with another 3,211 fire fighters in the State of Missouri.

The division currently offers 15 levels of certification and numerous training programs and has issued over 48,000 certifications since the program's implementation in 1986.

This number will only continue to grow as there are approximately 1,326 individuals certified at these levels annually.

DFS assumes a cost to the General Revenue Fund for this additional FTE to be roughly \$33,000 per year.

Officials from the **Department of Revenue (DOR)** state that based on figures provided by the State Fire Marshal's Office, there are 625 volunteer fire departments in the state of Missouri, containing a total of 12,652 volunteer firefighters. There are also listed, 80 departments that file with the Marshal's Office as "part-paid/part-volunteer", meaning some of their crew are paid

ASSUMPTION (continued)

personnel & the rest are on a volunteer basis. The firefighters located in these 80 departments total 3,211; however, there is no way of determining how many from each department is paid and how many are on a volunteer basis. DOR's figures will be based only on the 12,000 volunteer firefighters.

The Personal Tax section would require 1 Tax Processing Technician I for every 6,000 credits claimed with the carry-forward provisions (total = 2 FTE (12,000 firefighters / 6,000 credits claimed)).

Due to the Statewide Information Technology Consolidation, the department's response to a proposal will now also reflect the cost estimates prepared by OA-IT for impact to the various systems. As a result, the impact shown may not be the same as previous fiscal notes submitted. In addition, if the legislation is Truly Agreed to and Finally Passed the OA-IT costs shown will be requested through appropriations by OA-IT.

Office of Administration Information Technology (ITSD DOR) estimates the IT portion of this request can be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement. Office of Administration Information Technology (ITSD DOR) estimates that this legislation could be implemented utilizing 3 existing CIT III for 2 months and an additional 5 CIT III for 2 months at a rate of \$66,976.

In summary, DOR estimates an annual cost of roughly \$80,000 for the 2 additional FTE.

**Oversight** has, for fiscal note purposes only, changed the starting salary for DOR's Tax Processing Tech Is to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight also assumes DOR will not incur additional floor space expense for the two additional FTE and has taken this expense out of DOR's estimate.

Officials from the **Office of Administration - Budget and Planning (BAP)** state this proposal creates a \$180 income tax credit for volunteer firefighters that meet certain training requirements, or \$360 if additional training requirements are met. The Department of Public Safety estimates there are approximately 13,000 volunteer firefighters that might qualify for the \$180 credit, which would reduce Total and General State Revenues by \$2.34 million. If all these volunteers qualify for the \$360 credit, general and total state revenues would be reduced an additional \$2.34 million.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** will range the fiscal impact of the tax credit from \$0 (no firefighters taking advantage of the credit) to \$4.68 million (estimated 13,000 volunteer firefighters x \$360 maximum tax credit) in losses to the General Revenue Fund. The fiscal impact could be substantially less if fewer firefighters apply for the credit and if those that do apply for the credit only qualify for the \$180 credit instead of the \$360 credit. The credit is for tax years beginning on or after January 1, 2007, therefore, Oversight will show a potential loss from the proposal in FY 2008.

**Oversight** compared the total tax credit issuances relative to the total tax credit redemptions for the previous three years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 79 percent to 86 percent of the annual issuances. Depending on the program, the redeemed credits may have been issued several years prior and carried forward to the years studied; however, Oversight will utilize an estimated redemption total of 83 percent of tax credits issued. Therefore, under this proposal, if \$4,680,000 of credits are issued, Oversight would assume \$3,884,400 (83%) of credits to be redeemed, reducing Total State Revenues.

**This proposal will decrease Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>GENERAL REVENUE</b>			
<u>Costs - Department of Public Safety</u>			
Personal Service (1 FTE)	(\$17,579)	(\$21,727)	(\$22,379)
Fringe Benefits	(\$7,956)	(\$9,834)	(\$10,129)
Expense and Equipment	<u>(\$4,063)</u>	<u>(\$1,236)</u>	<u>(\$1,273)</u>
<u>Total Costs - DPS</u>	(\$29,598)	(\$32,797)	(\$33,781)
FTE Change - DPS	1 FTE	1 FTE	1 FTE
<u>Costs - Department of Revenue (DOR)</u>			
Personal Service (2 FTE)	(\$36,132)	(\$44,660)	(\$45,999)
Fringe Benefits	(\$16,353)	(\$20,213)	(\$20,819)
Expense and Equipment	<u>(\$11,774)</u>	<u>(\$1,036)</u>	<u>(\$1,068)</u>
<u>Total Costs - DOR</u>	(\$64,259)	(\$65,909)	(\$67,886)
FTE Change - DOR	2 FTE	2 FTE	2 FTE
<u>Loss - Tax Credit for volunteer firefighter training</u>	\$0 to <u>(\$4,680,000)</u>	\$0 to <u>(\$4,680,000)</u>	\$0 to <u>(\$4,680,000)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b>(\$93,857 to <u>\$4,773,857</u>)</b>	<b>(\$98,706 to <u>\$4,778,706</u>)</b>	<b>(\$101,667 to <u>\$4,781,667</u>)</b>
Estimated Net FTE Change for General Revenue Fund	3 FTE	3 FTE	3 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2008 (10 Mo.)	 FY 2009	 FY 2010
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

### FISCAL DESCRIPTION

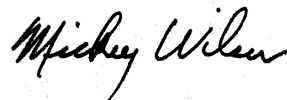
This proposal authorizes a \$180 income tax credit for volunteer firefighters who complete at least 12 hours of any firefighter training program approved by the State Fire Marshal. If the firefighter has completed the State Fire Marshal's thirty-six hour basic firefighter program or a firefighter training program approved by the State Fire Marshal, the firefighter may claim a \$360 credit. The tax credit is not refundable but can be carried forward for four years.

The provisions of the bill will expire six years from the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Department of Public Safety  
Department of Revenue  
Office of Administration  
    Budget and Planning  
Office of the Secretary of State



Mickey Wilson, CPA  
Director  
March 6, 2007